

PRE-DECISIONAL INTERNAL EXECUTIVE BRANCH DRAFT

1 **SEC. ____ INTERNAL AUDIT FUNCTION IN THE DEPARTMENT OF THE NAVY.**

2 Section 8014 of title 10, United States Code, is amended—

3 (1) by deleting subparagraph (c)(1)(B), and renumbering the subparagraphs that
4 follow;5 (2) in subparagraph (c)(1)(C), by inserting “and audit coordination” at the end,
6 within the parenthesis; and7 (3) by deleting subsection (c)(5).
8**Section by-Section Analysis**

This amendment to section 8014 of title 10, United States Code, would eliminate the requirement to sustain the Naval Audit Service (AUDSVC) as a component of the Department of the Navy (DON), in recognition of the overlapping missions and functions of other organizations whose execution of the audit function addresses the needs of the DON. Elimination of the AUDSVC would save approximately \$50 million annually, which could be applied to other pressing operational priorities.

[insert context re savings/efficiency imperatives of Stem to Stern review]

Given the effectiveness of robust audit organizations across the federal government, and the legislative mandate for a full financial statement audit of the Department of Defense (DoD) and its components, the AUDSVC performs functions that are largely duplicative. The Government Accountability Office (GAO) and Inspector General of the Department of Defense (DoDIG) execute a comprehensive array of performance audits, investigating compliance with laws and regulations, program efficiency and effectiveness, fraud, waste and abuse, and management controls over operations. The annual financial statement audit, mandated by the Chief Financial Officers Act of 1990, and by supplemental legislation applicable specifically to DoD and its components, includes the evaluation of many of the same areas, and already has produced substantial improvements in the DON's operations. Finally, the Naval Criminal Investigative Service and Naval Inspector General address matters of fraud, waste and abuse.

There are numerous statutory and procedural safeguards to ensure the visibility of audit findings from these organizations, and thus to promote the accountability of audited entities. GAO and the DoDIG, for example, employ effective mechanisms to engage the organizations subject to audit throughout the process, and to confirm whether audited organizations have taken action on their recommendations. [further info re specific GAO/DoDIG procedures?] Similarly, during the course of the full financial statement audit, government audit standards ensure the continuous flow of information between the independent public auditor (IPA) and the DON. Further, the

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DON has established a formal governance structure to monitor the Department's response to the financial statement audit. This includes the DON Audit Committee, which is chaired by the Under Secretary of the Navy, Vice Chief of Naval Operations, and Assistant Commandant of the Marine Corps, as well as numerous other forums with broad stakeholder representation across the DON, to formally assign remediation actions, track progress, and assess the need for new initiatives and adjustments to priorities. Continuous validation of audit results by the DoDIG and the IPA, and rigorous, statutory requirements for semi-annual reports to the congressional defense committees, provide for transparency and the productive exchange of information, all of which augments the DON's capacity to increase efficiency and accountability.

[distinctions, if we are aware of any, between the DON's experience and that of the other military departments, which appear likely to support their audit organizations]

[RIF and other personnel matters related to disestablishment of AUDSVC]

Budget Implications: The elimination of the internal audit function within the DON would generate annual savings of approximately \$51M. [insert more exact figures in table below]

RESOURCE REQUIREMENTS (\$M)

FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Appropriation	Budget Activity
(\$51.0)	(\$51.0)	(\$51.0)	(\$51.0)	(\$51.0)	Operation and Maintenance, Navy	[TBD]

Resubmission Information: This proposal is being submitted for the first time.

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Changes to Existing Law:

10 U.S.C. § 8014. Office of the Secretary of the Navy

(a) There is in the Department of the Navy an Office of the Secretary of the Navy. The function of the Office is to assist the Secretary of the Navy in carrying out his responsibilities.

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(b) The Office of the Secretary of the Navy is composed of the following:

- (1) The Under Secretary of the Navy.
- (2) The Assistant Secretaries of the Navy.
- (3) The General Counsel of the Department of the Navy.
- (4) The Judge Advocate General of the Navy.
- (5) The Naval Inspector General.
- (6) The Chief of Legislative Affairs.
- (7) The Chief of Naval Research.
- (8) Such other offices and officials as may be established by law or as the Secretary of the Navy may establish or designate.

(c)

(1) The Office of the Secretary of the Navy shall have sole responsibility within the Office of the Secretary of the Navy, the Office of the Chief of Naval Operations, and the Headquarters, Marine Corps, for the following functions:

(A) Acquisition.

~~(B) Auditing.~~

~~(BC)~~ Comptroller (including financial management and audit coordination).

~~(CD)~~ Information management.

~~(DE)~~ Inspector General.

~~(EF)~~ Legislative affairs.

~~(FG)~~ Public affairs.

(2) The Secretary of the Navy shall establish or designate a single office or other entity within the Office of the Secretary of the Navy to conduct each function specified in paragraph (1). No office or other entity may be established or designated within the Office of the Chief of Naval Operations or the Headquarters, Marine Corps, to conduct any of the functions specified in paragraph (1).

(3) The Secretary shall—

(A) prescribe the relationship of each office or other entity established or designated under paragraph (2)—

(i) to the Chief of Naval Operations and the Office of the Chief of Naval Operations; and

(ii) to the Commandant of the Marine Corps and the Headquarters, Marine Corps; and

(B) ensure that each such office or entity provides the Chief of Naval Operations and the Commandant of the Marine Corps such staff support as each considers necessary to perform his duties and responsibilities.

(4) The vesting in the Office of the Secretary of the Navy of the responsibility for the conduct of a function specified in paragraph (1) does not preclude other elements of the executive part of the Department of the Navy (including the Office of the Chief of Naval Operations and the Headquarters, Marine Corps) from providing advice or assistance to the Chief of Naval Operations and the Commandant of the Marine Corps or otherwise participating in that function within the executive part of the Department under the direction of the office assigned responsibility for that function in the Office of the Secretary of the Navy.

~~(5)~~

~~(A) The head of the office or other entity established or designated by the Secretary to conduct the auditing function shall have at least five years of professional experience in accounting or auditing. The position shall be considered to be a career reserved position as defined in section 3132(a)(8) of title 5.~~

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~~(B)The position of regional director within such office or entity, and any other position within such office or entity the primary responsibilities of which are to carry out supervisory functions, may not be held by a member of the armed forces on active duty.~~

(d)

(1)Subject to paragraph (2), the Office of the Secretary of the Navy shall have sole responsibility within the Office of the Secretary of the Navy, the Office of the Chief of Naval Operations, and the Headquarters, Marine Corps, for the function of research and development.

(2)The Secretary of the Navy may assign to the Office of the Chief of Naval Operations and the Headquarters, Marine Corps, responsibility for those aspects of the function of research and development relating to military requirements and test and evaluation.

(3)The Secretary shall establish or designate a single office or other entity within the Office of the Secretary of the Navy to conduct the function specified in paragraph (1).

(4)The Secretary shall—

(A)prescribe the relationship of the office or other entity established or designated under paragraph (3)—

(i)to the Chief of Naval Operations and the Office of the Chief of Naval Operations; and

(ii)to the Commandant of the Marine Corps and the Headquarters, Marine Corps; and

(B)ensure that each such office or entity provides the Chief of Naval Operations and the Commandant of the Marine Corps such staff support as each considers necessary to perform his duties and responsibilities.

(e)The Secretary of the Navy shall ensure that the Office of the Secretary of the Navy, the Office of the Chief of Naval Operations, and the Headquarters, Marine Corps, do not duplicate specific functions for which the Secretary has assigned responsibility to another of such offices.

(f)

(1)The total number of members of the armed forces and civilian employees of the Department of the Navy assigned or detailed to permanent duty in the Office of the Secretary of the Navy, the Office of Chief of Naval Operations, and the Headquarters, Marine Corps, may not exceed 3,150.

(2)Not more than 1,800 officers of the Navy and Marine Corps on the active-duty list may be assigned or detailed to permanent duty in the Office of the Secretary of the Navy, the Office of the Chief of Naval Operations, and the Headquarters, Marine Corps.

(3)The total number of general and flag officers assigned or detailed to permanent duty in the Office of the Secretary of the Navy, the Office of the Chief of Naval Operations, and the Headquarters, Marine Corps, may not exceed 74.

(4)The limitations in paragraphs (1), (2), and (3) do not apply in time of war.

(5)Each limitation in paragraphs (1) and (2) may be exceeded by a number equal to 15 percent of such limitation in time of national emergency.